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# Reimbursing interest on war loans

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## REIMBURSING INTEREST ON WAR LOANS.

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APRIL 6, 1886.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

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Mr. PERRY, from the Committee on War Claims, submitted the following

### R E P O R T :

[To accompany bill H. R. 152.]

*The Committee on War Claims, to whom was referred the bill (H. R. 152) to reimburse the several States for interest paid on war loans, and for other purposes, having carefully considered the same and accompanying papers, submit the following report :*

By the act of July 27, 1861, and the joint resolution of March 8, 1862, the Secretary of the Treasury was directed to pay to the governor of any State or his duly authorized agents "the costs, charges, and expenses properly incurred by such States for enrolling, subsisting, clothing, supplying, arming, equipping, paying, and transporting its troops employed in aiding to suppress the present insurrection against the United States, to be settled upon proper vouchers to be filed and passed upon by the proper accounting officers of the Treasury."

By the joint resolution of March 8, 1862, payments were directed to be made for expenditures made subsequent to, as well as before, the passage of the act.

Under this act disbursements have been made to the States amounting to the sum of \$43,296,938.22, and there yet remain unsettled or disallowed claims amounting to several millions of dollars.

Many, if not all, of the States were obliged to borrow money to pay the expenses incurred, but in adjusting and allowing their claims the accounting officers of the Treasury have rejected all claims for interest paid out by the States, holding that the law did not authorize such payment. An examination of the evidence leads us to the conclusion that the decision of the Department was correct. Your committee therefore recommend that the bill do not pass.

## VIEWS OF THE MINORITY.

A similar bill was introduced in the Forty-eighth Congress, and referred to the Committee on War Claims, which, through Mr. Rowell, presented the following report, to wit:

By the act of July 27, 1861, and the joint resolution of March 8, 1862, the Secretary of the Treasury was directed to pay to the governor of any State, or his duly authorized agents, "the costs, charges, and expenses properly incurred by such States for enrolling, subsisting, clothing, supplying, arming, equipping, paying, and transporting its troops employed in aiding to suppress the present insurrection against the United States, to be settled upon proper vouchers to be filled and passed upon by the proper accounting officers of the Treasury."

By the joint resolution of March 8, 1862, payments were directed to be made for expenditures made subsequent to as well as before the passage of the act. Under this act disbursements have been made to the States amounting to the sum of \$43,296,938.22; and there yet remain unsettled or disallowed claims amounting to several millions of dollars.

Many, if not all, of the States were obliged to borrow money to pay the expenses incurred, but in adjusting and allowing their claims the accounting officers of the Treasury have rejected all claims for interest paid out by the States, holding that the law did not authorize such payment.

The bill under consideration provides for reimbursing the States for interest paid or lost on account of expenses incurred and repaid under the act of July 27, 1861. By its provisions, interest is only to be paid on such sums as have been refunded or may hereafter be refunded under the authority of the act of Congress and explanatory resolution; no interest is to be paid, unless it was actually paid out or lost by the States, and then only up to the time of repayment by the Government, and limited to 6 per cent.

Claims for interest have been filed amounting to \$3,188,887.25, but these claims are based upon a higher rate of interest than that provided in the bill; other States have not filed interest claims, owing to the ruling of the Department, but if the bill becomes law they will have proper claims.

Your committee are of opinion that these interest claims, at a rate such as the General Government was obliged to pay, are a just and proper charge against the Government. Immediately after the passage of the acts, Mr. Chase, then Secretary of the Treasury, in a communication to the auditor of the State of Ohio, gave assurances that interest would be paid. Laws were passed after the war of 1812 to reimburse the several States for moneys expended in that war, with similar provisos to the law under which the payments herein considered have been made.

Subsequently Congress passed laws to pay interest, as is provided in this bill. A similar bill was passed by Congress to reimburse States for expenses incurred on account of the Indian wars, with like necessity of subsequent legislation to authorize the payment of interest.

It seems to be the history of all the legislation of Congress for the reimbursement of States for war expenditures that the initial statutes have always failed to provide for the payment of interest, but in every instance, previous to 1861, subsequent acts provided for the payment of interest.

It may therefore be regarded as the settled policy of Congress to repay to the several States, not only the principal sums expended by them in aid of the General Government in times of war, but also to repay interest actually paid out, not exceeding the rate paid by the General Government during the same period.

Your committee therefore recommend that the bill do pass.

The minority cannot but think that, in view of the numerous precedents set out in the foregoing report of Mr. Rowell, and in view of the well-established policy of the Government, and in view of the assurances of the governmental authorities when the States assumed these obligations, and in view of what the minority believes to be but equal justice to all the States, the bill should pass.

This was as much a necessary expenditure as though the money had been paid for arms or ammunition. Had the States, generally the new Western States, which had not plethoric treasuries, refused to borrow

the money with which to organize and equip their quotas of troops, the Federal Government must necessarily have done so; and since these new and financially poor States came patriotically to the rescue of the depleted national Treasury in the hour of the nation's peril, and pledged their own credit for its salvation, no good reason exists why they should not be reimbursed their *whole* expenditure, the same as has been done for the more fortunate and wealthy States. Equal justice to all should be our motto.

But not only has the Government made similar reimbursements after all wars previous to the last civil war, but this Congress has evinced a determination to perpetuate the same policy. The bill H. R. 3877 was on the 18th day of January, 1886, introduced in this House, and referred to the Committee on Claims. This is an act for the relief of the State of Florida, and among other things authorizes the repayment of interest paid by Florida on interest-bearing securities issued by said State for the purpose of raising money with which to equip troops for different Indian wars. On the 3d of February last said committee reported said bill back with the recommendation that it do pass, and the same is now on the Calendar of this House. The report is No. 303, and is as follows:

*The Committee on Claims, to whom was referred the bill (H. R. 3877) to authorize the Secretary of the Treasury to settle the claim of the State of Florida on account of expenditures made in suppressing Indian hostilities, beg leave to submit the following report:*

In accordance with the requirements of the joint resolution of Congress approved March 3, 1881, the Secretary of War has investigated, audited, and made a report to Congress, May 22, 1882, of the amount due the State of Florida for expenditures made in suppressing Indian hostilities in that State between the 1st day of December, 1855, and the 1st day of January, 1860 (Ex. Doc. 203, Forty-seventh Congress, first session).

The expenditures grew out of the Seminole war of 1855, 1856, and 1857, the State authorities being compelled, in the presence of an anticipated and subsequently actual outbreak of the Indians, to call forth the militia of the State, the force of the United States troops then on duty being inadequate to the protection of the people. The report of the Secretary of War (Ex. Doc. 203) fully sets forth in detail the items of expenditure allowed and disallowed, the total amount found due the State being the sum of \$224,648.09.

It is established that the funds at the command of the executive of the State of Florida in the years referred to were insufficient to equip, supply, and pay the troops in the field, and relying upon the approval given by the President of the United States, through the Secretary of War, on the 21st day of May, 1857, of the services of these volunteers, the State legislature, in order to provide their equipment and maintenance, authorized the issue of 7 per cent. bonds.

A portion of the bonds, amounting to \$132,000, was sold by the governor to the Indian trust fund of the United States, and the proceeds of such sale were disbursed by the treasurer of the State for the "expenses of Indian hostilities," as appears from his report to the legislature for the year ending October 31, 1857 (Ex. Doc. 203, Forty-seventh Congress, first session). Another portion was hypothecated to the banks of South Carolina and Georgia as security for a loan of \$222,015, and \$192,331 of this loan was disbursed directly by a disbursing agent of the State in payment of "expenses of Indian hostilities," including pay of volunteers (Ex. Doc. 203, Forty-seventh Congress, first session).

This case is one where the Government, through the President of the United States by the Secretary of War, promised to pay these troops when mustered into the United States service, and they would have been long since paid by the Government if so mustered, but the mustering officer arrived in the State after they had been mustered out, and the State was compelled to borrow money with which to pay them (see letter of Secretary of War hereto appended).

Congress has universally paid interest to the States where they have paid interest. We cite the cases where interest has been allowed and paid for moneys advanced during the war of 1812-15, as follows: Virginia, act March 3, 1825 (4 Stat. at L., p. 132); Maryland, act May 13, 1826 (4 Stat. at L., p. 161); Delaware, act May 20, 1826 (4 Stat. at L., p. 175); New York, act May 22, 1826 (4 Stat. at L., p. 192); Pennsyl-

vania, act March 3, 1827 (4 Stat. at L., p. 241); South Carolina, act March 22, 1832 (4 Stat. at L., p. 499); Maine, act of March 31, 1851 (9 Stat. at L., p. 626); Massachusetts and Maine, act of July 8, 1870 (16 Stat. at L., p. 198).

For advances for Indian and other wars the same rule has been observed in the following cases: Alabama, act January 26 (4 Stat. at L., p. 344); Georgia, act March 31, 1851 (9 Stat. at L., p. 626); Georgia, act March 3, 1879 (20 Stat. at L., p. 385); Washington Territory, act March 3, 1859 (11 Stat. at L., p. 429); New Hampshire, act January 27, 1852 (10 Stat. at L., p. 1); California, act of August 5, 1854 (10 Stat. at L., p. 582); California, act August 18, 1856 (11 Stat. at L., p. 91); California, act June 23, 1860 (12 Stat. at L., p. 104); California, act July 25, 1868 (15 Stat. at L., p. 175); California, act March 3, 1881 (21 Stat. at L., p. 510); and in aid of the Mexican war (see statute of June 2, 1848).

Attorney-General Wirt, in his opinion on an analogous case, says:

"The expenditure thus incurred forms a debt against the United States which they are bound to reimburse. If the expenditures made for such purpose are supplied from the treasury of the State, the United States reimburse the principal without interest; but if, being unable itself, from the condition of its own finances, to meet the emergency, such State has been obliged to borrow money for the purpose, and thus to incur a debt on which she herself has had to pay interest, such debt is essentially a debt due by the United States, and both the principal and interest are to be paid by the United States (see Opinions of Attorneys-General, vol. 1, p. 174)."

Thus it will be seen that the precedent for the payment of interest, under the rule adopted for the settlement of claims of war of 1812-15, and Indian wars above cited, is well established.

The committee are of the opinion that the urgent necessity for the services of these troops, and the action of the President and the Secretary of War, are well established, and create an equitable obligation on the part of the General Government, and as it is clearly shown by Ex. Doc. 203, Forty-seventh Congress, that the State of Florida not only borrowed money from the Indian trust fund, but also from the banks of the States of Georgia and South Carolina, for their payment, upon which the State has since paid interest, your committee have concluded to recommend the passage of the bill, with the following amendments:

In line 18 of section 1, after the word "it," insert the words "upon said claim or claims."

In line 8 of section 2 strike out the words "and to pay such sum so ascertained due the said State," and insert the words, "and shall adjust and settle the claim of the State therefor, and shall pay such sum as may be ascertained to be due the State thereon."

WAR DEPARTMENT,  
Washington, D. C., May 21, 1857.

SIR: I have the honor to acknowledge the receipt of your letter of the 8th instant, asking an approval of the services of certain volunteers called out by you, and in reply to inform you that the explanations as to the necessity of their services is satisfactory, and orders have been issued to the officer commanding in Florida to muster them in and out of the service of the United States.

Very respectfully, your obedient servant,

JOHN B. FLOYD,  
Secretary of War.

His Excellency JAMES E. BROOME,  
Governor of Florida.

But again, on March 3, 1886, a bill (S. 1729) of substantially the same import as the last-mentioned House bill was introduced into the Senate and referred to the Committee on Military Affairs, which committee has since made the following report, to wit:

*The Committee on Military Affairs, to whom was referred the bill (S. 1293) "to authorize the Secretary of the Treasury to settle and pay the claim of the State of Florida on account of expenditures made in suppressing Indian hostilities, and for other purposes," have considered the same, and they beg leave to report:*

That in the Forty-eighth Congress they had under consideration the same subject, and they reported by bill to the Senate. A report accompanied the bill, and this report, now annexed, is adopted. They recommend the indefinite postponement of bill 1293, and the substitution of a bill hereby reported, that being the bill reported favorably by the committee in the Forty-eighth Congress.

[Senate Report No. 109, Forty-eighth Congress, first session.]

*The Committee on Military Affairs, to whom was referred the bill (S. 230) to authorize the Secretary of the Treasury to settle the claim of the State of Florida on account of expenditures made in suppressing Indian hostilities, beg leave to submit the following report:*

In accordance with the requirements of the joint resolution of Congress approved March 3, 1881, the Secretary of War has investigated, audited, and made a report to Congress, May 22, 1882, of the amount due the State of Florida for expenditures made in suppressing Indian hostilities in that State between the 1st day of December, 1855, and the 1st day of January, 1860. (Ex. Doc. 203, Forty-seventh Congress, first session.)

The expenditures grew out of the Seminole war of 1855, 1856, and 1857, the State authorities being compelled, in the presence of an anticipated and subsequently actual outbreak of the Indians, to call forth the militia of the State, the force of United States troops then on duty being inadequate to the protection of the people. The report of the Secretary of War (Ex. Doc. 203) fully sets forth in detail the items of expenditure allowed and disallowed, the total amount found due the State being the sum of \$224,648.09.

It is established that the funds at the command of the executive of the State of Florida in the years referred to were insufficient to equip, supply, and pay the troops in the field, and, relying upon the approval given by the President of the United States and the Secretary of War, on the 21st day of May, 1857, of the services of these volunteers, the State legislature, in order to provide their equipment and maintenance, authorized the issue of 7 per cent. bonds.

A portion of the bonds, amounting to \$132,000, was sold by the governor to the Indian trust fund of the United States, and the proceeds of such sale were disbursed by the treasurer of the State for the "expenses of Indian hostilities," as appears from his report to the legislature for the year ending October 31, 1857. Another portion was hypothecated to the banks of South Carolina and Georgia as security for a loan of \$222,015, and \$192,331 of this loan was disbursed directly by a disbursing agent of the State in payment of "expenses of Indian hostilities," including pay of volunteers.

The portion of the bonds sold to the United States for the "Indian trust fund" is still held by that fund and accrued interest since 1857.

The State of Florida paid out through a disbursing agent, as shown by War Department report .....	\$193,330 16
And through warrants from State treasurer .....	78,056 11

Total .....	271,386 27
Interest on this sum from January 1, 1857, to April 1, 1883 .....	498,672 27

Total cost to the State to date .....	770,058 54
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We quote from a statement made by the United States Treasurer of the State indebtedness to the "Indian trust fund," June 12, 1882, as follows:

Loan on 7 per cent. bonds of the State of Florida .....	\$132,000
Coupons due and unpaid January 1, 1857 .....	138,040
Interest to July 1, 1882, from January 1, 1857 .....	50,820
Interest from July 1, 1882, to April 1, 1883 .....	6,930
	<hr/> 327,790 00

Due the State .....	442,268 54
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There appears, therefore, lawfully due the State of Florida, according to the State treasurer's account, the sum of \$770,058.54, being the principal and interest of the sums which she borrowed and expended on behalf of the United States.

If from this sum be deducted the amount loaned the State by the Indian trust fund, principal and interest, \$327,790, there still remains due the State the sum of \$442,268.54.

In auditing the accounts of the State, however, the Secretary of War has disallowed many items under the rules and regulations governing payments to the regular forces, and yet, with all his disallowances, after an exhaustive examination, he finds due \$224,648.09. Now, if we add the interest on this sum from January 1, 1857, to April 1, 1883, to wit, \$412,790.86, we have \$637,438.95. Now, if we deduct the amount due the Indian trust fund, to wit, \$327,790, there is still due the State the sum of \$309,648.95.

This case is one where the Government, through the President of the United States and Secretary of War, promised to pay these troops when mustered into the United States service, and they would have been long since paid by the Government, if so mustered, but the mustering officer arrived in the State after they had been mustered out, and the State was compelled to borrow money with which to pay them.

Congress has universally paid interest to the States where they have paid interest.



We cite the cases where interest has been allowed and paid for moneys advanced during the war of 1812-'15, as follows: Virginia, act March 3, 1825 (4 Stat. at L., p. 132); Maryland, act May 13, 1826 (4 Stat. at L., p. 161); Delaware, act May 20, 1826 (4 Stat. at L., p. 175); New York, act May 22, 1826 (4 Stat. at L., p. 192); Pennsylvania, act March 3, 1827 (4 Stat. at L., p. 241); South Carolina, act March 22, 1832 (4 Stat. at L., p. 499); Massachusetts, July 8, 1870 (16 Stat. at L., p. 198).

For advances for Indian and other wars the same rule has been observed in the following cases: Alabama, act January 26, 1849 (4 Stat. at L., p. 344); Georgia, act March 31, 1851 (9 Stat. at L., p. 626); Georgia, act March 3, 1879 (20 Stat. at L., p. 385); Washington Territory, act March 3, 1859 (11 Stat. at L., p. 429); New Hampshire, act January 27, 1852 (10 Stat. at L., p. 1).

Thus it will be seen that the precedent for the payment of interest under the rule adopted for the settlement of claims of war of 1812-'15 is well established.

The committee are of the opinion that the urgent necessity for the services of these troops and the action of the President and the Secretary of War create an equitable obligation on the part of the General Government; and as the State of Florida not only borrowed money from the Indian trust fund, but also from the banks of the States of Georgia and South Carolina, for their payment, upon which the State has since paid interest, your committee have concluded to recommend the sum of \$92,648.09 as a full payment to the State of all Indian war claims, this being the difference after deducting the sum borrowed by the State from the Indian trust fund (\$132,000) from the amount found due the State by the Secretary of War (\$224,648.09), and to further recommend the delivery to the State of all bonds and coupons held by the trustee of the Indian trust fund.

The committee have amended the bill in accordance with the views expressed in this report, and they recommend the passage of the bill as thus amended. Accompanying the report is a communication from the Secretary of War, explaining the origin and the present condition of the claim of the State of Florida against the Government of the United States.

This bill is now on the Senate Calendar.

It does not now seem just, or in accordance with the requirements of national honor, that after so treating all the States making expenditures in all our previous wars, such as are hereinbefore set out, that now we should refuse such reimbursement to the loyal States who came to the rescue of the Government at a time when it was more in need of aid and support than at any other period of its history.

J. LYMAN,

*For Minority of Committee on War Claims.*